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SIPDIS

USDA FAS FOR FAA/AME/PAUL HOFFMAN

STATE FOR AF/W - DAN EPSTEIN

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E.O. 12958, N/A

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SUBJECT: NIGERIA: FOOD FOR PROGRESS PROPOSAL

1. The American Embassy in Nigeria is proposing a Government-to-Government "Food For Progress" activity for FY 2003. This program will involve 25,000 mt of soybean and/or soybean meal (SBM) at \$200 per mt. Africare will be the consultant to the Nigerian Government, managing the sale of the commodities and the activities to be carried out with the funding. The American Soybean Association strongly endorses a carefully constructed proposal and will provide technical support to the importers. The proposal also has the support of FAS Lagos, Amembassy Abuja, the local trade and the Nigerian Government, including President Obasanjo. There are no Bellmon or UMR issues. The funds will be used to support a joint program of the Government of Nigeria and Africare, called 'Wise' - The Women's Initiative for Sex Education and Economic Empowerment. The goal of the 'Wise' program is to economically empower and provide HIV/AIDS awareness to low income and vulnerable young women living in the Federal Capital Territory of Nigeria. It is anticipated that the plan of operations will be submitted in September.

2. There are several factors resulting in increased demand for soybean products in Nigeria that open the possibility for the import of U.S. soybean and feed-stuffs, including :

-- a large population growing at approximately 3 percent annually;

-- an annual growth in the Nigerian poultry industry of 20% over the past three years;

-- high tariff on imported chicken, in an effort to protect local producers;

-- the existing feed industry is operating below its installed processing capacities;

-- knowledge and understanding of the feed and poultry industry trying to rebuild after more than two decades of decline;

-- interest and investment in soybean processing capacity, creating a new market.

3. A few companies in Nigeria import feed-stuffs, primarily wheat and some soybean meal. Available statistics, however, are not reliable. Industry sources estimate Nigeria's consumption requirement at more than 200,000 mt of soybean annually, and the market is growing. Nigeria became a significant importer of soybean meal in 1999 following the revitalization of the poultry sector after nearly two decades of decline. Prior to this, the local feed industry was able to secure adequate supplies of soybean meal from the oilseed processing sector. Based upon FAS Lagos surveys of the feed industry, total soybean meal imports in calendar 1999 are estimated at 12,000 tons. Soybean meal imports increased to 21,000 tons and 30,000 tons in 2000 and 2001 respectively. The bulk of the SBM appears to be crushed from local beans. One importer is investing in a line of extruders with a total capacity of 100 mt per day. He is interested in importing U.S. soybeans to make feed for his poultry operations and to trade full fat or partially defatted soybean meal on the open market.

4. Positive factors that suggest using monetization in Nigeria include:

A) a growing market, though somewhat constrained by Forex financing difficulties and low volumes, which increase product, shipping and transaction costs. Monetized SBM could increase the overall consumption and therefore be additive.

B) The market is already fairly large. At 200,000 mt consumption per annum, a program of slightly more than 10% should not be considered disruptive. The Nigerian Government's request indicates that local authorities have no concerns about market disruptions.

C) Soybean imports would be a new import and offer considerable value to the local industry by encouraging local value-added, increased throughput (which increases demand and benefits to local soybean farmers).

D) Imports of beans also increase capacity utilization in the existing crushing mills and reduce Nigeria's dependence on vegetable oil imports. This program would be additive and not disruptive to the established trade. There are significant positive economic effects of financing value-adding activities in the agricultural sector without a foreign exchange outlay.

15. A well managed monetization program that gives opportunity to multiple buyers (either through multiple product mix, regional sales, or some similar arrangements) would be beneficial for the buyer, the pvo/seller and for U.S. exports. We support this soybean initiative.

16. Ambassador Jeter is well aware of this proposal and fully endorses it. President Obasanjo wrote to the Ambassador on August 20 and requested that the proposed project be implemented as soon as possible.

17. This cable was drafted by FAS Lagos.

Jeter